



CAHYA MATA SARAWAK BERHAD'S FINANCIAL PERFORMANCE FOR THE FIRST SIX MONTHS OF 2019

Tuesday, 27 August 2019

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Profit after tax and non-controlling interests reported at RM82.10 million

Kuching (Sarawak), Tuesday, 27 August 2019 – Cahya Mata Sarawak Berhad (CMSB - 2852) is pleased to announce its financial performance for the first six months of 2019 (1H 2019). The Group reported a total revenue of RM817.35 million for 1H 2019, representing an increase by 9% in comparison to the preceding year's corresponding period's (1H 2018) revenue of RM750.27 million. Its pre-tax profit (PBT) of RM128.06 million for 1H 2019 was, however, lower by 27% than 1H 2018's PBT of RM175.94 million.

The Group's profit after tax and non-controlling interests (PATNCI) of RM82.10 million for 1H 2019 was also 37% lower than 1H 2018's PATNCI of RM130.60 million. Earnings per share (EPS) stood at 7.65 sen versus 12.16 sen reported for the corresponding six-month period of last year.

The lower profit in this period was mainly attributable to weaker profits from the Group's associates, especially OM Materials (Sarawak) Sdn Bhd. Furthermore, CMSB's Cement and Construction & Road Maintenance Divisions also recorded lower profits during this period although, collectively, the Group's traditional core businesses, which also includes the Construction Materials & Trading and Property Development Divisions, has done better. It reported a collective PBT of RM126.57 million in 1H 2019, an improvement by 7%, in comparison to 1H 2018's PBT of RM118.66 million.

The Group's Cement Division reported a 19% lower PBT of RM31.67 million in 1H 2019 compared to 1H 2018's PBT of RM39.19 million, despite 8% improvement in its revenue. The lower PBT was attributable to the higher cost of imported clinker, which has increased due to the spike in global demand driven by the reduction of clinker production in China and strong regional demand especially from Bangladesh and the Philippines. The cost of coal has also increased in this period, by as much as 17%, and impacted the Division's profit margin.



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The Construction Materials & Trading Division registered a strong PBT of RM39.96 million, an increase of 71% in comparison to 1H 2018's PBT of RM23.41 million. The higher PBT is mainly attributable to the 27% higher revenue, 1% higher gross profit margin and a reversal of provision of RM9 million. Even without the reversal of provision, the Division's PBT of RM30.96 million for 1H 2019 would have been 32% stronger than the corresponding six-month period of last year.

The Construction & Road Maintenance Division reported a PBT of RM34.00 million for 1H 2019, 24% lower than 1H 2018's PBT of RM44.76 million. This was due to the Division's lower year-on-year revenue by 9%, mainly due to lower construction revenue resulting from completion of works and the expiry of the Federal road maintenance contract on 31 August 2018. Furthermore, the Division also reported 4% lower gross profit margin as there was a one-off item in 1H 2018, in the form of arrears received, amounting to RM3.51 million.

The Group's Property Development Division reported a strong PBT of RM20.95 million for 1H 2019 compared to RM11.30 million reported for the corresponding period in 2018. This is mainly attributable to the profit recognition from a land sale, higher number of condominium and apartments units sold as well as higher rental income from unsold apartments.

From its associates, the Group recorded a share of profit of RM25.71 million in 1H 2019, lower by 66% than 1H 2018's profit of RM74.88 million. This was mainly due to the lower contribution by OM Materials (Sarawak) Sdn Bhd, CMSB's 25%-owned associate company, which contributed RM5.31 million in 1H 2019 to the Group. This contribution was lower by 89% in comparison to 1H 2018 as the Company had then posted a stellar share of profit of RM48.48 million. The lower profit was due to the recent weak commodity prices and the ongoing global trade-war which has been impacting the entire industry.



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Commenting on the results, CMSB's Group Chief Executive Officer – Corporate, Dato Isaac Lugun, said: "The result for the first half of 2019 has mostly been impacted by the performance of our associate company OM Materials (Sarawak). Although OM Material (Sarawak)'s prospects in the immediate-term are challenging mainly due to the macro-economic factors, the Group remains confident on its longer-term prospects due to its position in the first quartile of the global production cost curve, coming mostly from the competitive power price offered in Sarawak, and its strong global presence. Once the market rebounds, we believe that OM Materials (Sarawak) will again post a similar stellar financial performance it did in 2018. The Group also remains positive on its other associate companies including Sacofa Sdn Bhd, Kenanga Investment Bank Berhad and KKB Engineering Berhad, which are part of our growth strategy for our strategic investments to drive the next wave of growth. The aim of this growth strategy is for our traditional core businesses and our strategic investments to counter-balance each other and in the long-term to equally contribute to double the Group's earnings."

On our traditional core businesses, we expect their growth to continue and be driven by the ongoing Pan Borneo Highway project and the State government's increased spending on infrastructure. As seen in the State's record budget for 2019, RM9.07 billion is spent on development which in part will fund the implementation of major infrastructure projects including the Coastal Road and Second Link Road, tenders for which have started being awarded, the Water Grid and Electricity projects and the State government's push for rural development. This ensures that the State will be a pocket of increased construction activity for the next few years and this is expected have a positive impact on our traditional core businesses as they are involved heavily in the supply of construction materials."

"CMSB will continue to maintain its strong growth potential and will remain resilient in spite of certain headwinds we foresee and are ready for. The Group is well positioned to benefit in all key economic drivers in Sarawak and is supported by its healthy balance sheet and its three-pronged growth strategy. Specifically, this strategy calls for CMSB to: firstly, reposition and fortify all traditional core businesses, secondly, to fully implement and grow the strategic businesses and, lastly, to reposition and strengthen the CMS brand." added Dato Isaac Lugun.



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"Continually aiming to post good and strong profits while staying true to our business ethics, transparency and dedication to compliance, Cahya Mata Sarawak Berhad, is well on its way to becoming 'Sarawak's Most Admired Company'." concluded Dato Isaac Lugun.

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About Cahya Mata Sarawak Berhad

Cahaya Mata Sarawak Berhad (CMSB) is a leading corporation listed on the Main Market of the Malaysian stock exchange, Bursa Malaysia, and is a major private-sector player in Sarawak, the largest State in Malaysia.

CMSB has evolved from a single product manufacturer of cement, beginning in 1974 to become a corporation focused on its Vision "To Become the Pride of Sarawak & Beyond".

Today, CMSB's portfolio spans over 35 companies involved in the manufacturing & trading of cement and construction materials, construction, road maintenance, property & infrastructure development, financial services, education, steel & pipe fabrication & installation, ferro silicon & manganese smelting and telco infrastructure.